



Making Logistics “Lean”

by Peter T. Leach

Shippers are trying to cut fat from extended supply chains, but it's often easier said than done when you've gone global

As international companies shift more of their production to China and the Far East, they are realizing enormous savings by lowering their production costs in a process called lean manufacturing. But the shift hasn't always brought the kinds of improvements they'd like to the bottom line. That is because these companies now are struggling with elongated and complicated supply chains that are making it difficult to achieve the desired goal of just-in-time inventory delivery.

To accomplish this goal, many are trying to adopt the practice of lean logistics, which mirrors the lean manufacturing processes they have put in place. But lean logistics is preached more than it is practiced because bad supply chain habits are tough to identify and even tougher to break. The challenges to implementing lean logistics are often daunting.

Lean logistics requires coordinating every element of the supply chain to ensure a continuous flow of product from the original point of manufacture, which may be in a Chinese factory, through to the end-consumer. It is designed to meet companies' demands for just-in-time inventory. The goals are large, the rewards are lucrative but it's not an easy task and only a few companies have achieved it.

"It's a continuous struggle on the part of global companies, but I see glimmerings of improvement," said Scott A. Elliff, president of Capital Consulting & Management, a supply chain consulting firm in Charlottesville, Va. "It's a very difficult task to coordinate every step to get to the point of synchronized production and consumption."

One of the barriers on the road to lean logistics is human nature. Every company in the supply chain wants to buffer itself against interruptions in its supply chain, so it may tend to overstock.

"You do that yourself, when you buy a four-pack of toothpaste on sale that's enough to last you a year," Elliff

said. "Manufacturers and wholesalers are the same way; they want to protect themselves against the possibility of a truck going off the road, or against a hurricane closing a port."

In addition, manufacturing companies may not be comfortable with their suppliers' ability to maintain con-

work required in the various steps of the supply chain. Lean logistics depends on the unfettered flow of information about shipments through every step in the supply chain. The smooth flow of information can be interrupted if paperwork has to undergo unnecessary steps or

forwarder based in Batavia, Ill., near Chicago. Harbour adopted the concept of continuous improvement that has long been advocated by renowned management consultant W. Edwards Deming and which was one of the guiding principles behind Japanese companies' rise as world-

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ROBERT C. MASTERSON JR., PRESIDENT OF HARBOUR

tinuous production, so they may try to compensate by putting impossible demands on them. They may place bulk orders that stretch suppliers' ability to meet demands, then leave them idle once the order is complete.

It's a recipe for enormous inefficiencies in the supply chain.

Another hurdle on the road to lean logistics is the mountain of paper-

unneeded approval processes. Every unnecessary step can lead to delays and waste of time if one of the pieces goes missing or unprocessed.

"Global logistics consists of communicating information all the way down the line, so our focus is on helping our customers improve their flow of information," said Robert C. Masterson Jr., president of Harbour, a

class competitors in the 1980s.

Masterson decided to contact Deming's consulting firm in 1992 when he recognized that Harbour would remain an average forwarder if it continued to follow existing practices in its logistics business. He telephoned Deming's consulting company to inquire about its seminars and was surprised when the

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management guru answered the phone himself. That was the beginning of a revolution in Harbour's logistics practices.

"He taught us how to apply statistics to global logistics, and this helped us to improve our services, become more efficient and more profitable," Masterson said. To begin the process, Harbour documented every step in the handling of shipments for its customers and then asked its employees to tell it whether the step was necessary or how it could be eliminated. "We took every step of the freight-forwarding process and measured it with a stop watch," Masterson said. "You've got to get every employee involved in evaluating whether each step adds value. You add value at each step, or take it out."

Statistics are at the heart of the streamlined process that Harbour has adopted.

It uses statistics to measure every step in its global logistics process so it can evaluate it. "If you can't measure it, how can you tell whether it's working or not?" Masterson said. "We documented every single business process together with our carriers and truckers. It gave them a voice in the development of our process."

The statistical measurements gave Harbour the tools to drill down into its global logistics processes and understand how it could improve and better control them. In doing so, Harbour discovered that it needed only nine pieces of information to manage and control any shipment from origin to destination. It also discovered it could eliminate much of the paperwork and the delays that processing the paperwork had caused. "We were able to reduce the in-transit inventory time for shipments to Motorola in Germany from an average of three days down to an average of 18 hours," Masterson said.

Harbour was able to do this because its methodology has increased its productivity by 95 percent. Now its agents handle 78 shipments a month, compared with 40 a decade earlier. Masterson has

become an avid convert to the system of continuous improvement and has used it to document all of Harbour's processes so that they can be transformed into the practice of lean logistics. Harbour's customer list includes

such blue-chip companies as Hitachi, L'Oreal, Motorola, Moen, Maybelline and S.C. Johnson, and Masterson said he won't even take on a new customer unless it commits to sharing his philosophy of lean logistics. ■

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